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FEATURED Q&A

Will Argentina's 'Super Minister' Make Big Changes?



Sergio Massa, who had been the speaker of Argentina's Chamber of Deputies, was tapped last month as the country's economy minister and was given expanded powers. // File Photo: Argentine Government.

Q Argentine President Alberto Fernández on July 28 replaced Silvina Batakis, the economy minister he had named less than a month prior, with Sergio Massa, the speaker of the Argentine Congress' lower house. The president gave Massa broader powers than previous economy ministers, including control of the government's agriculture and production policies, creating what some analysts are calling a "super ministry." Why did Fernández make the abrupt change at the ministry, and why has he given Massa broader authority? What will Massa's departure from Congress mean for the legislature? What does his appointment mean for Argentina's foreign exchange and capital controls?

A Facundo González Sembla, public affairs senior consultant at Llorente y Cuenca: "The appointment of Sergio Massa in Argentina's economy ministry, unifying the former ministries of agriculture and production, and gaining control of the strategic energy secretariat, responds to President Alberto Fernández's need to politically strengthen the management of an economy in worrying deterioration. To this end, he leaned on Massa, one of the three partners in the coalition he formed with Cristina Fernández de Kirchner and who had sought to join the cabinet since Martín Guzmán's resignation, either as chief of staff or economy minister. By giving him more power than previous economy ministers, the president agreed to Massa's requirements for taking charge of the country's economy. The new minister is convinced that his political future, as a candidate for president in 2023, depends on the results he produces. To this end, he asked to control all

Continued on page 3

TODAY'S NEWS

POLITICAL

Peruvian Police Raid Castillo's Home in Search of Relative of Relative

Peruvian authorities searched the private home of President Pedro Castillo in search of his sister-in-law, who is accused of corruption and later turned herself in.

Page 2

ECONOMIC

Fire Largely Under Control at Cuba Oil Tanker Port

Firefighters largely had a blaze at Cuba's Matanzas super tanker port under control, Cuban officials said. The fire was sparked by a lightning strike last Friday.

Page 2

BUSINESS

Banco do Brasil Reports 38% Rise in Profit for Q2

Brazilian state-controlled lender Banco do Brasil, led by CEO Fausto de Andrade Ribeiro, on Wednesday reported better-than-expected earnings for the second quarter and increased its full-year forecast.

Page 3



Ribeiro // File Photo: Brazilian Government.

POLITICAL NEWS

Peruvian Police Raid Castillo's Home in Search of Relative

Peruvian authorities on Wednesday raided the private home of President Pedro Castillo in the country's rural Cajamarca region in search of his sister-in-law, who is accused of corruption, Agence France-Presse reported, citing local media. The relative, Yenifer Paredes, later turned herself in at the country's prosecutor's office, her lawyer, José Dionisio, told radio station RPP. "We are inside the prosecutor's office," Dionisio told the radio station, adding that Paredes' surrender had taken investigators "by surprise." The developments came just a day after authorities raided the presidential palace in Lima in search of Paredes, 26, who lives with Castillo and his wife, AFP reported. Paredes is the fourth person in Castillo's inner circle who faces graft allegations; she also faces money laundering charges. A nephew of Castillo who was previously a presidential advisor and a former transportation minister, who are both fugitives, have also been investigated on corruption allegations, as has a former presidential secretary to Castillo. In a message broadcast late Tuesday on state television, Castillo called the operation at the presidential palace "an illegal raid" that was part of a conspiracy to unseat him as president, AFP reported. Also this week, authorities have conducted other raids in Lima, arresting José Neñil Medina, who is a mayor from Castillo's Chota province, as well as siblings Hugo Espino and Angie Espino, businesspeople who are accused of involvement in the same corruption ring, AFP reported. The developments came a week after Prime Minister Anibal Torres abruptly announced his resignation on Aug. 3. However, two days later, Castillo rejected the resignation of Torres, whom he said had agreed to continue working for the country. Torres, who has been in office since February, is the fourth prime minister during Castillo's year-old government. His predecessor, Héctor Valer, lasted just a week in the position before stepping down

amid domestic violence allegations, which he denied. Since taking office in July of last year, Castillo's government has been marked by instability and numerous cabinet changes. He has "appointed many unqualified officials who have provoked allegations of cronyism and corruption, leading to dizzying ministerial instability," Cynthia McClintock, a professor of political science and international affairs at The George Washington University, told the Advisor in a [Q&A](#) published July 19.

ECONOMIC NEWS

Firefighters Largely Control Blaze at Cuba Oil Tanker Port

Firefighters working to quell the blaze in Cuba's Matanzas super tanker port were able to largely control the fire on Wednesday after more than five days, Cuban authorities said, the Associated Press reported. The fire affected a four-tank segment of the country's primary fuel storage facility following a lightning strike that hit one of the tanks on Aug. 5 and spread over several days. While the fire at the fourth tank was close to being controlled on Wednesday, the third tank was still on fire and surrounded by smoke, officials said, the wire service reported. At least one person was killed in the fire, 128 have been injured and 20 have been hospitalized, in addition to 14 firefighters who are still reported missing. More than 4,900 people were evacuated, and due to the fire, officials had to close down a thermoelectric plant after it ran out of water, the wire service reported. Cuba relies on the Matanzas facility for most of its heavy fuel and crude imports and storage, Reuters reported. The terminal also distributes imported crude and fuel to local refineries and supplies domestic oil output for power plants. "I think any realistic forecast would point to more blackouts and more difficulty in carrying out the minimum economic activity in the country," Arturo López-Levy, a politics and international relations professor at Holy Names University in California, told the AP.

NEWS BRIEFS

Ex-Paraguayan President Lugo in Medically Induced Coma

Former Paraguayan President and current Senator Fernando Lugo, 71, on Wednesday was in a medically induced coma following a stroke, the Associated Press reported. Lugo's condition is stable, and there is no evidence of significant lesions, doctors said, though they added it was too early to identify the extent of the damage. Lugo was president from 2008 to 2012, when he was impeached and removed from office.

Argentina's YPF Swings to \$751 Million Profit in Q2

Amid a surge in oil and gas prices, Argentine state oil company YPF on Wednesday announced that its second-quarter net profit hit 94.06 billion pesos (\$751 million), a significant reversal from its 46.26 billion peso net loss during the same period in 2021, Reuters reported. The company's second-quarter revenue reached a total of \$4.8 billion during the period, a nearly 45 percent increase. YPF is expecting to increase its investment for this year by 10 percent to \$4 billion, a 50 percent hike from last year, the company said in a statement.

Colombian Environment Minister Among Fracking Opponents Proposing Ban

Colombian lawmakers, new Environment Minister Susana Muhamad and environmentalists on Wednesday proposed a bill to the country's Congress to ban fracking, Reuters reported. The legislation is the fourth attempt to ban fracking, and more than 100 lawmakers support the effort, along with the newly inaugurated administration of President Gustavo Petro. "Today we're beginning the walk toward fulfilling that political commitment ... so that fracking and unconventional deposits do not begin in Colombia," Muhamad told journalists, the wire service reported.

BUSINESS NEWS

Banco do Brasil Reports 38% Rise in Net Profit for Q2

Brazilian state-controlled lender Banco do Brasil on Wednesday reported better-than-expected earnings for the second quarter and increased its full-year forecast, Reuters reported. Banco do Brasil said its full-year adjusted net profit for 2022 is estimated to reach between 27 billion and 30 billion reais (\$5.3 billion to \$5.89 billion), an increase from the previously forecast range of 23 billion and 26 billion reais, the wire service reported. The adjustment was boosted by higher net interest income and cost control measures, Reuters reported. In its second quarter, the lender reported a 38 percent net profit increase to 7.62 billion reais. "We are confident that we will continue to be profitable while generating value for society," said the bank's president, Fausto de Andrade Ribeiro, Valor Econômico reported. "The level of profitability we have reached is an unequivocal demonstration of our commitment to efficiency, productivity and the permanent construction of a business model that is increasingly closer to our customers," he added. Banco do Brasil's forecast adjustment came even as the lender projected higher bad-loan provisions, which currently stand at between 14 billion and 17 billion reais for this year, Reuters reported.

Antofagasta Posts Decline in Earnings for Year's First Half

Mining company Antofagasta today posted a decline in profit for the first half of this year amid higher costs, lower grades and a drought in Chile that affected the company's output of copper, Reuters reported. Antofagasta, of which Chile's Luksic family owns the majority, said its earnings before interest, tax, depreciation and amortization, or EBITDA, declined in the first six months of the year to \$1.24 billion,

FEATURED Q&A / Continued from page 1

the levers. However, Massa does not control the central bank or the tax collection agency (AFIP), two key agencies that he had asked the president to control. With Massa's departure from the presidency of the Chamber of Deputies, the government has lost a great articulator with the opposition. His replacement, Cecilia Moreau, will have the double challenge of maintaining dialogue with the opposition and ensuring the approval of the laws promoted by the new minister, for example, the 2023 budget. Moreau's role will be fundamental in a chamber where the government must negotiate the approval of laws one by one."

A **Kezia McKeague, regional director at McLarty Associates:** "Although Batakis attempted to reassure Argentina's investors and lenders during her short tenure, she could not quell the governing coalition's infighting as economic conditions worsened throughout July. In hindsight, her appointment following Guzmán's abrupt resignation on July 2 proved to be a placeholder, giving President Fernández time for the internal negotiations needed to comply with Massa's demands for a 'super ministry.' He has given the veteran politician broader authority in the hopes that his political heft makes him better positioned than his predecessors to work with the diverse members of the Frente de Todos coalition, as well as with the opposition to both reduce inflation—now projected at 90 percent for this year—and avert a deeper economic crisis. Massa has pledged to raise foreign currency reserves, comply with the key target of a primary fiscal deficit of 2.5 percent of GDP (as determined by Argentina's deal with the IMF) and put a halt to the money printing that has contrib-

a drop from \$2.4 billion in the first half of 2021, the wire service reported. The company's shares, which are listed in London, opened 2.2 percent lower. The company's profit rose to its highest level ever last year as copper prices

uted to inflation, but foreign exchange and capital controls are widely viewed as here to stay. Although Wall Street analysts have criticized a lack of ambition and of implementation details in this initial announcement of

“ Massa's appointment has raised expectations among investors...”

— Kezia McKeague

economic measures, Massa's appointment has raised expectations among investors given his reputation as a moderate on economic policy and his extensive ties with Washington and New York. In Congress, Cecilia Moreau—Massa's pick—has succeeded him as speaker of the lower house, and he is expected to maintain an active role in the legislative agenda."

A **José María Dagnino Pastore, former Argentine economy and labor minister and member of the Inter-American Dialogue:**

"Cristina Kirchner felt the danger of economic chaos and its consequences. More unified economic management by a person with political weight and wider freedom of action was needed, at least to postpone crises. Why did she agree to Massa's nomination? She did it because there was a lack of alternatives, to regain control of the Chamber of Deputies, to get Massa out of the line of succession and to make Massa responsible while distancing herself from the outcome. Why did he accept? He thought he would take a chance, given the government's failure and his loss of voter support. If he

Continued on page 4

rose to record levels. That allowed Antofagasta to make a record \$1.4 billion payout to shareholders for the year. The company said it is still expecting to produce up to 660,000 metric tons of copper this year, Reuters reported.

FEATURED Q&A / Continued from page 3

succeeds, Massa has the power to relaunch a centrist movement, and he will have a shot at the presidency. But the 'super ministry' does not include the central bank, nor the ministries of energy, transportation or tourism. Powerful agencies (because of the money they manage) like ANSES, AFIP and others respond to Mrs. Kirchner. This limits what Massa can do. However, he has international connections, the support of political friends and a strong group of entrepreneurs (including in the media) with proven lobbying ability. Mainstream economists agree on the priority, and Massa seems to understand it: a strong reduction of public expenditures (which grew from 25 percent to about 44 percent of GDP in 12 years of Kirchnerism), so as to calm market expectations."

A **Carlos Fara, president of Carlos Fara & Asociados in Buenos Aires:** "The president made the decision to incorporate Massa as a 'super minister' given the aggravation of the reaction of the markets against an official who did not get enough political support. To that must be added the proposal that the league of pro-government governors made to the president, indicating the urgency of hitting a rudder. In this context, Massa's arrival also had the consensus of the vice

president. It does not imply much change for the Congress, as a deputy who answers to Massa is now in command; Massa will control the lower house by remote control. He was a key figure in building support with the opposition in a chamber where the ruling

“**Massa will control the lower house by remote control.**”

— Carlos Fara

party does not have its own majority. The role of Congress will depend on whether the government decides to move forward with decisions through the decrees of necessity and urgency. While Massa would like to be a more market-friendly minister out of pragmatism, the truth is that Argentina's most urgent problem is the lack of dollars in the central bank. Therefore, it is difficult to release exchange and capital controls in the short term, since even the IMF has discouraged it in the face of currency anemia."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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